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E.O. 11652: NA

TAGS: PFOR, EGEN, OGEN, EEC

SUBJECT: ANNUAL POLICY ASSESSMENT

REF: STATE 32826 (PARA 7)

I. US INTERESTS, GOALS AND OBJECTIVES:

1. THE POST-WORLD WAR II RATIONALE FOR US SUPPORT OF EUROPEAN INTEGRATION IN AN ATLANTIC CONTEXT--TO BUILD A EUROPEAN STRUCTURE (WITH GERMANY FIRMLY TIED IN) BETTER ABLE TO CONTRIBUTE TO THE POLITICAL, ECONOMIC AND MILITARY STRENGTH OF THE WEST--CONTINUES TO BE VALID. THUS, US POLICY TOWARD THE EUROPEAN COMMUNITY IS DETERMINED BY OUR POLICY OBJECTIVES IN EUROPE AS A WHOLE: (A) PROMOTION OF THE COMMON DEFENSE; (B) THE DEVELOPMENT OF A CLOSE ATLANTIC CONNECTION; (C) THE PRESERVATION OF VIABLE AND DEMOCRATIC SOCIETIES IN WESTERN EUROPE; (D) THE FURTHERANCE OF MUTUALLY-BENEFICIAL ECONOMIC RELATIONSHIPS; AND (E) THE PURSUIT OF TRUE DETENTE.

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2. WHILE BROAD US POLICY INTERESTS IN EUROPE MAY NOT HAVE CHANGED, THE OBJECTIVE SITUATION HAS ALTERED CONSIDERABLY IN THE PAST THIRTY YEARS AND OUR RELATIONS WITH THE EC HAVE ALSO EVOLVED. WE NO LONGER LOOK UPON THE EC AS A TENDER SHOOT TO BE NUTURED AND GUIDED BY THE US. THE COMMUNITY AND THE US HAVE MANY INTERESTS, GOALS AND OBJECTIVES IN COMMON, BUT THERE MAY ALSO BE DIVERGENCES WHICH MUST BE RECONCILED AND COMPROMISED IN CONSULTATIONS AND NEGOTIATIONS.

3. IN TERMS OF SPECIFIC GOALS, WE CONTINUE TO SEEK AN INTERNATIONAL ECONOMIC SYSTEM IN WHICH THE US AND THE EC CAN WORK TOGETHER AS COOPERATIVE AND CONSTRUCTIVE PARTNERS IN SOLVING WORLD ECONOMIC PROBLEMS. WE WANT TO ASSURE THAT PROGRESS TOWARD EUROPEAN UNITY IS CONSISTENT WITH CLOSE TRANSATLANTIC TIES AND THAT IT SERVES TO INCREASE EUROPE'S AWARENESS OF ITS RESPONSIBILITY TO MAKE CONSTRUCTIVE CONTRIBUTIONS TO THE SOLUTION OF WORLD PROBLEMS. FINALLY, WE SEEK TO REINFORCE THE HABIT OF COMMUNICATION BETWEEN THE EC NINE AND THE US ON CURRENT FOREIGN POLICY AND ECONOMIC ISSUES.

4. PROGRESS TOWARDS ACHIEVING OUR OBJECTIVES HAS BEEN GOOD OVER THE PAST YEAR. FROM THE LOW POINT IN LATE 1973-EARLY 1974, WHEN THE EUROPEANS'S "IDENTITY CRISIS" WAS BLURRING THEIR PERCEPTION OF TRANSATLANTIC RELATIONS, A MORE BALANCED PERSPECTIVE HAS EMERGED. THE COMMON ECONOMIC AFFLICTIONS OF INFLATION/RECESSION/UNEMPLOYMENT, ENERGY SHORTAGES AND PRICE RISES, FOOD AND AGRICULTURE PROBLEMS, AND OTHER RAW MATERIALS DIFFICULTIES HAVE SERVED TO REMIND THE EUROPEANS OF THE REALITY OF INTERDEPENDENCE. PERSONALITY CHANGES IN THE MEMBER STATES AND IN THE COMMISSION HAVE EASED THE PROBLEM OF MANAGING OUR TRADE AND ECONOMIC RELATIONS.

5. THE RESULT IS INCREASING AWARENESS ON BOTH SIDES OF THE ATLANTIC OF THE NEED FOR EFFECTIVE CONSULTATION AND COOPERATION IN SOLVING THE PROBLEMS OF TODAY. THIS SPIRIT IS, HOWEVER, NOT YET DEEPLY INGRAINED AND ITS GROWTH IS DEPENDENT UPON THE CONTINUOUS EFFORTS AT ALL LEVELS IN BOTH THE US AND EC.

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II. PROJECTED DEVELOPMENTS:

6. THE THREAT OF INSTABILITY AND CONFLICT IN THE AREA STRETCHING FROM THE IBERIAN PENINSULA THROUGH CYPRUS TO THE PERSIAN GULF CREATES MAJOR UNCERTAINTIES BEARING ON EUROPEAN AND AMERICAN INTERESTS. DESPITE THE DIFFICULTY OF PROJECTING (A) DEVELOPMENTS IN THESE AND OTHER AREAS AND (B) THEIR PROBABLY EFFECTS ON THE EUROPEAN INTEGRATION PROCESS, THIS

ASSESSMENT ASSUMES NO CHANGES IN THE EXTERNAL ENVIRONMENT THAT WOULD SUBSTANTIALLY ACCELERATE THIS PROCESS OR PRECIPITATE A BREAK-UP OF THE COMMUNITY. WE SEE NOTHING IN THE INTERNAL COMMUNITY SITUATION THAT WOULD INDICATE A BREAK-THROUGH TOWARD "EUROPEAN UNION" OR ECONOMIC AND MONETARY UNION OVER THE NEXT TWO YEARS. THUS, US GOALS AND OBJECTIVES SHOULD REMAIN IN SAME AND THE PURSUIT OF US INTERESTS SHOULD FOLLOW SIMILAR LINES AS IN THE RECENT PAST.

7. IN THE SHORT-TERM, THE EC WILL BE OCCUPIED WITH THE UK QUESTION. THE BRITISH DECISION ON CONTINUED MEMBERSHIP IN THE EC COULD HAVE MAJOR CONSEQUENCES FOR THE COMMUNITY AND FOR US INTERESTS. IF HMG SHOULD DECIDE TO WITHDRAW, THE "DENEGOTIATIONS" WOULD BE COMPLEX AND DIFFICULT NOT ONLY FOR THE UNITED KINGDOM BUT FOR OTHER MEMBER STATES AS WELL. NOT ONLY WOULD THESE NEGOTIATIONS DIVERT AN INORDINATE AMOUNT OF ATTENTION FROM REGULAR EC BUSINESS, BUT THEY WOULD FURTHER SLOW DOWN THE INTEGRATION PROCESS. FROM THE STANDPOINT OF INTERNAL BALANCE WITHIN THE EC, THE PRESENCE OF THE UK HAS PROVIDED AN ELEMENT OF STABILITY IN THE NINE'S LEADERSHIP WHICH WOULD BE LIKELY TO DIMINISH IF FRANCE AND THE FRG REMAINED ALONE AS THE TWO MAJOR PARTNERS. BECAUSE THE BRITISH STILL ENJOY INFLUENCE IN THE WORLD DISPROPORTIONATE TO THEIR GNP, THE POLITICAL WEIGHT OF EUROPEAN VIEWS IN INTERNATIONAL ORGANIZATIONS SUCH AS THE UN WOULD BE LESSENED BY BRITISH WITHDRAWAL. IN GENERAL, THE BRITISH HAVE THROWN THEIR WEIGHT WITHIN THE EC COUNCILS TOWARD MORE "LIBERAL" AND OUTWARD-LOOKING POLICIES. ON THE OTHER HAND, A LABOR GOVERNMENT STILL INFLUENCED BY LEFT-WING ANTI-MARKET MINISTERS IS NOT LIKELY TO PLAY A CONSTRUCTIVE ROLE IN THE DEVELOPMENT OF POLICIES INVOLVING SHIFTS OF POWER TO A CENTRAL AUTHORITY.

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8. IN A TWO-YEAR PERSPECTIVE, THERE WILL PROBABLY NOT BE ANY SIGNIFICANT DEVELOPMENTS THAT WOULD CHANGE THE CHARACTER OF POLITICAL COOPERATION OR THE COMMUNITY INSTITUTIONAL STRUCTURE. ALTHOUGH THE PRINCIPAL BARRIER TO INTERNAL EC DEVELOPMENT--FRENCH GAULLISM--IS NO LONGER THE NEGATIVE FORCE IT ONCE WAS, MAJOR RESTRAINTS ON FORWARD MOVEMENT STILL EXISTS. AMONG THESE ARE THE OVERWHELMING PREOCCUPATION WITH CURRENT ECONOMIC PROBLEMS, THE ABSENCE OF STRONG AND DEDICATED "EUROPEAN" LEADERSHIP AND PUBLIC ATTITUDES TOWARD "EUROPE" AS A GOOD BUT DULL AND TAKEN-FOR-GRANTED CONCEPT. ON THE EXTERNAL FRONT, "POLITICAL COOPERATION" IS LIKELY TO CONTINUE TO GROW, BUT ON THE SAME "INTERGOVERNMENTAL" BASIS.

9. OVER THE LONGER TERM, SOME "POLITICAL" MOVEMENT MAY TAKE PLACE. THE INSTITUTIONAL MEASURES PROPOSED BY GIDCARD AND AGREED TO AT THE PARIS SUMMIT IN DECEMBER 1974 (RETURN TO MAJORITY VOTING IN THE EC COUNCIL, PERIODIC HEADS OF GOVERNMENT MEETINGS, AND SCHEDULING DIRECT ELECTION OF THE EUROPEAN PARLIAMENT) INDICATE A CHANGED FRENCH ATTITUDE TOWARD THE EC

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INSTITUTIONS AND READINESS ON THE PART OF THE NINE TO IMPROVE THEIR FUNCTIONING. THESE MEASURES ARE, HOWEVER, ESSENTIALLY MODEST STEPS WHICH ARE NOT LIKELY TO PRODUCE SIGNIFICANT RESULTS IN THE NEXT TWO YEARS. BELGIAN PRIME MINISTER TINDEMANS, WHO WAS ENTRUSTED WITH THE TASK OF DEFINING THE CONTENT OF "EUROPEAN UNION" (THE TIMING OF WHICH IS STILL THEORETICALLY SET FOR 1980), IS EXPECTED TO REPORT ON HIS FINDINGS BY YEAR'S END, BUT IT IS STILL TOO EARLY TO PREDICT WHERE HIS REPORT WILL COME OUT OR WHAT ITS IMPACT WILL BE.

10. IF, AS WE ANTICIPATE, THE COMMUNITY REMAINS ESSENTIALLY IN ITS PRESENT INSTITUTIONAL MOLD OVER THE NEXT TWO YEARS, MAJOR PROGRESS IN STRENGTHENING EUROPE--AND THE ATLANTIC SYSTEM-- WILL NOT BE MADE. BUT WE CAN STILL WORK EFFECTIVELY WITH THE NINE. AS WE HAVE PREVIOUSLY OBSERVED, OUR OVERALL DIALOGUE (BOTH BILATERALLY AND IN THE EC CONTEXT) HAS IMPROVED. UNDER THESE CIRCUMSTANCES WE SHOULD HAVE NO

DIFFICULTY IN LIVING WITH A RELATIVELY STATIC COMMUNITY, PROVIDING THAT THE NINE REMAIN SENSITIVE TO THE IMPORTANCE OF ATLANTIC COHESION. ALTHOUGH THE NINE MAY NOT NOW BE IN THE MOOD FOR MAJOR STEPS TOWARD UNITY, "EUROPE" REMAINS AN ASPIRATION WHICH IN ITSELF AFFECTS THE BEHAVIOR OF THE MEMBER STATES AND FORMS A FRAMEWORK FOR THEIR RELATIONS. WE BELIEVE THAT THE US SHOULD CONTINUE TO SUPPORT THIS OBJECTIVE. WE SHOULD CONTINUE TO LET THE EUROPEANS SET THEIR OWN PACE WHILE WE CONCENTRATE ON WORKING WITH THEM ON COMMON PROBLEMS AND SEEING THAT WHATEVER THEY DO AS A COMMUNITY IS CONSISTENT WITH US INTERESTS.

11. THE EC IS, WE BELIEVE, A VIABLE BODY BASED ON:

- A. A CUSTOMS UNION
- B. A COMMON AGRICULTURAL POLICY
- C. A REGIONAL AID PROGRAM
- D. TRADE AGREEMENTS WITH A LARGE NUMBER OF BOTH DEVELOPED AND DEVELOPING COUNTRIES (EFTA, LOME, MEDITERRANEAN).

THESE ECONOMIC ELEMENTS ALONE HAVE FOSTERED ENOUGH VESTED INTERESTS IN MEMBER STATES TO SURVIVE THE POSSIBLE WITHDRAWAL OF BRITAIN (AND DENMARK) AND THE ABSENCE OF FURTHER INTEGRATION. AT THE SAME TIME, THESE NATIONAL INTERESTS MAY LEAD TO FURTHER PROGRESS, OVER THE NEXT TWO YEARS, UNDER THE LIMITED OFFICIAL USE

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RUBRIC OF COMMUNITY POLICY. THE MOST LIKELY AREAS ARE ENERGY, ENVIRONMENT, AND SOME ASPECTS OF SOCIAL AND INDUSTRIAL POLICY. ECONOMIC AND MONETARY POLICY (DESPITE THE EXISTENCE OF A 1980 TARGET DATE FOR MONETARY UNION) IS DEALT WITH MAINLY THROUGH COORDINATION AMONG MEMBER STATES RATHER THAN A COMMUNITY BASIS AND THIS CONDITION LOOKS LIKELY TO CONTINUE.

III. KEY POLITICAL ISSUES AND RECOMMENDATIONS:

12. MOST OF THE ISSUES BETWEEN THE US AND EUROPEAN COMMUNITY (QUA COMMUNITY) ARISE IN A MULTILATERAL CONTEXT. RECOMMENDATIONS ON COURSES OF ACTION TO DEAL WITH THESE ISSUES ARE THEREFORE DIFFICULT TO MAKE FROM ONLY ONE (EC) ANGLE. WE HAVE TRIED, NEVERTHELESS, TO PUT OUR RECOMMENDATIONS IN A FRAMEWORK OF OVERALL US INTEREST AND OBJECTIVES.

A. MULTILATERAL TRADE NEGOTIATIONS:

13. TRADE NEGOTIATIONS WILL BE ONE OF THE MAIN PIECES OF BUSINESS BETWEEN THE US AND THE EC OVER THE NEXT TWO YEARS. ALTHOUGH MORE ATTENTION SHOULD BE GIVEN TO JAPAN, CANADA AND THE LDCS IN THE CURRENT GATT NEGOTIATIONS THAN THEY RECEIVED IN THE KENNEDY ROUND, THE US/EC RELATIONSHIP WILL STILL BE THE KEY TO A SUCCESSFUL NEGOTIATION. THE FIRST STEP SHOULD BE

A US/EC UNDERSTANDING ON HOW TO "MANAGE" THE NEGOTIATIONS. THE ISSUES TO BE COVERED INCLUDE PROCEDURE AND TIMING AS WELL AS SUBSTANCE. IN THE LIGHT OF ECONOMIC AND SOCIAL UNCERTAINTY AND DISTRESS ON ALL SIDES, A CAREFUL BALANCE WILL HAVE TO BE STRUCK BETWEEN THE NEED FOR PROGRESS IN THE NEGOTIATIONS TO AVOID PROTECTIONIST BACKSLIDING AND THE REQUIREMENT OF TAKING CRUCIAL ACTIONS (E.G. THE TABLING OF EXCEPTIONS LISTS) IN PROPITIOUS ECONOMIC AND POLITICAL CIRCUMSTANCES SO AS TO MAXIMIZE THE RESULTS OF THE NEGOTIATIONS.

14. AN ESSENTIAL ASPECT OF MTN MANAGEMENT IS HOW TO DEAL WITH AGRICULTURE. AT THE MOMENT, WE ARE HUNG UP IN A PROCEDURAL AND IDEOLOGICAL DISPUTE ARISING FROM LONG-STANDING US/EC DIFFERENCES. THE SUBSTANTIVE KEY TO SUCCESSFUL NEGOTIATIONS IN THE AGRICULTURAL SECTOR IS CEREALS. THERE APPEARS TO BE COMMON ELEMENTS IN THE US AND EC POSITIONS WHICH SHOULD, LIMITED OFFICIAL USE

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OVER TIME, PROVIDE THE BASIS FOR A MULTILATERAL GRAINS ARRANGEMENT BASED ON A SYSTEM OF RESERVE STOCKS MANAGED IN ACCORDANCE WITH LOOSE SUPPLY/DEMAND AND PRICE CRITERIA,-- PARTICULARLY IF, AS SEEMS LIKELY, INTERNAL PRESSURES AND THE INTERNATIONAL AGRICULTURAL SITUATION MOVED THE EC TOWARD MODIFICATIONS OF THE CAP. THUS, DURING THE NEXT TWO YEARS IT SHOULD BE POSSIBLE TO RECONCILE THE US EMPHASIS ON MARKET ACCESS WITH THE EC FOCUS ON MARKET STABILITY.

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15. RECOMMENDATIONS:

A. AS SOON AS THE NEW STR LEADERSHIP IS INSTALLED, THERE SHOULD BE A CONSULTATION WITH THE COMMISSION (SOAMES AND CO.) TO TRY TO WORK OUT AN MTN NEGOTIATION SCENARIO FOR AS FAR IN THE FUTURE AS CAN BE REASONABLY FORESEEN.

B. WITHOUT REFERENCE TO NEGOTIATING FORA, A NEW EFFORT SHOULD BE MADE SOONEST TO LAUNCH SUB- STANTIVE US/EC TALKS ON THE ELEMENTS OF CEREALS ARRANGEMENT.

B. ENERGY:

16. THE KEY ISSUE IN THE ENERGY FIELD IS TO ENSURE THAT THE ENERGY POLICY OF THE COMMUNITY COMPLEMENTS OUR OWN EFFORTS WITHIN THE FRAME WORK OF THE INTERNATIONAL ENERGY AGENCY (IEA) TO CREATE CONDITIONS IN THE INDUSTRIAL CONSUMING COUNTRIES WHICH WILL REDUCE OUR DEPENDENCE ON MIDDLE EAST OIL. TO DATE COMMUNITY POLICY HAS EVOLVED ALONG LINES CONSISTENT WITH OUR LIMITED OFFICIAL USE

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OWN THINKING. HOWEVER, AS WE BEGIN TO SPELL OUT OUR PROPOSALS IN SUCH ESSENTIAL AREAS AS DEVELOPMENT OF ALTERNATIVE RESOURCES, AS WELL AS IN THE DIALOGUE WITH THE PRODUCERS, THERE WILL INEVITABLY BE A NUMBER OF SPECIFICS REQUIRING CLOSE COORDINATION.

17. THE LONG-TERM VIABILITY OF THE IEA DEPENDS ON EFFECTIVE EUROPEAN PARTICIPATION. THIS COULD BEST BE SECURED BY FRENCH MEMBERSHIP WHICH WOULD ALLOW THE EC TO PARTICIPATE AS A UNIT AND THUS BALANCE THE WEIGHT OF THE US. WITH OR WITHOUT DIRECT FRENCH PARTICIPATION, SUCCESSFUL OPERATION OF THE IEA WILL DEPEND ON US/EC COOPERATION.

18. ONE ESSENTIAL ASPECT OF OUR EFFORTS TO DEVELOP ALTERNATE ENERGY SOURCES INVOLVES AN INCREASE IN THE PRODUCTION OF POWER FROM NUCLEAR ENERGY. PUBLIC OPINION IN EUROPE AS IN THE US IS MANIFESTING INCREASED RESISTANCE TO THE EXPANSION OF NUCLEAR ENERGY INSTALLATIONS, BASED ON ENVIRONMENTAL AND

SAFETY CONCERNS. A SUCCESSFUL NUCLEAR ENERGY PROGRAM
REQUIRES A MORE UNDERSTANDING PUBLIC ATTITUDE.

19. RECOMMENDATIONS

WE SHOULD:

- ENCOURAGE THE EC TO PARTICIPATE FULLY, AS A COMMUNITY,
IN THE WORK OF THE IEA AND CONTINUE TACTICS DESIGNED
TO ACHIEVE THIS END.
- INTENSIFY TIMELY CONSULTATIONS WITH THE EC ON ENERGY
MATTERS AND, TO THE EXTENT POSSIBLE, GET THE
EUROPEANS TO TAKE A LEADING ROLE IN THE IEA.
- PROPOSE TO THE EC A JOINT EFFORT TO ENSURE THE
DEVELOPMENT OF AN ENLIGHTENED PUBLIC OPINION ON
NUCLEAR ENERGY ISSUES SO PUBLIC RESISTANCE TO THE
GROWTH OF NUCLEAR POWER FACILITIES WILL NOT DELAY THE
DEVELOPMENT OF ONE OF OUR MAIN ALTERNATIVE SOURCES
OF ENERGY.

C. RELATIONS WITH LDCS:

20. THE PETROLEUM CRISIS, RECENT FLUCTUATIONS IN COMMODITY
PRICES, A CERTAIN DISARRAY AMONG THE DEVELOPED COUNTRIES, AND
THE SUCCESS OF LDC NEGOTIATIONS WITH THE COMMUNITY, HAVE
INTENSIFIED AND UNIFIED LDC PRESSURE ON THE UNITED STATES
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AND OTHER DEVELOPED COUNTRIES. A COORDINATED STRATEGY BY THE
DCS, OF WHICH THE US AND THE COMMUNITY ARE THE MOST IMPOR-
TANT, IS ESSENTIAL TO CONTROL AN EMERGING SPLIT WITHIN DC
RANKS AND A CONFRONTATION WITH THE LDCS AS WE SEEK TO BRING
ABOUT POLICIES WHICH WILL BE HELPFUL TO THE DEVELOPING
COUNTRIES.

21. BUT THIS PROBLEM CANNOT BE RESOLVED SIMPLY BY BETTER
DC COORDINATION IN INTERNATIONAL MEETINGS ON THE LANGUAGE
OF DECLARATIONS AND RESOLUTIONS. THE KEY ISSUE IS COMMODITY
POLICY. THE COMMUNITY HAS A PREJUDICE IN FAVOR OF COMMODITY
AGREEMENTS AND HAS BROKEN NEW GROUND IN AN ARRANGEMENT FOR
THE GUARANTEE OF THE LEVEL OF EXPORT RECEIPTS ON TWELVE
COMMODITIES (STABEX). US POLICY HAS BEEN TO LOOK AT
COMMODITY ARRANGEMENTS ON A CASE-BY-CASE BASIS WITH A BIAS
AGAINST THEM BECAUSE OF EXPERIENCES IN PREVIOUS NEGOTIATIONS
AND AGREEMENTS. THE FIRST STEP IN AN EFFECTIVE UNITED FRONT
ON RELATIONS WITH THE LDCS IN UPCOMING INTERNATIONAL CON-
FERENCES WOULD BE AN EFFORT TO TRY TO FIND A COMMON US/EC
POSITION ON COMMODITY POLICY.

22. RECOMMENDATIONS:

WE SHOULD BEGIN EXPLORING WITH THE COMMUNITY AS SOON AS
POSSIBLE THE VARIOUS POSSIBILITIES FOR AN AGREED APPROACH TO

COMMODITY POLICY PROBLEMS THROUGH:

-MANAGEMENT OF RESERVES:

- PURCHASE AND SUPPLY AGREEMENTS BETWEEN EXPORTERS AND IMPORTERS;
- AN EXPORT RECEIPTS STABILIZATION SCHEME; OR
- ANY OTHER ECONOMICALLY SOUND AND POLITICALLY ACCEPTABLE FORMULA.

D. ECONOMIC POLICY:

23. ON THE BROAD ECONOMIC POLICY FRONT, EUROPEAN ATTITUDES REVEAL SOME CONFUSION ABOUT DEVELOPMENTS IN THE US. AT THE SAME TIME AS THEY WORRY ABOUT THE LOW LEVEL OF ECONOMIC ACTIVITY AND URGE EXPANSIONARY ACTION, OTHER EUROPEANS ALSO EXPRESS FEARS ABOUT THE COMPETITIVE IMPACT ON A DECLINE IN THE VALUE OF THE DOLLAR. BUT THESE CONCERNS DO UNDERLINE THE AWARENESS OF INTERDEPENDENCE AND THE IMPORTANCE OF A HEALTHY US ECONOMY. LIMITED OFFICIAL USE

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24. WE HAVE NO RECOMMENDATION THIS AREA OTHER THAN INTENSIFIED CONSULTATIONS - BILATERAL AND MULTILATERAL - AT ALL LEVELS.

E. BILATERAL TRADE ISSUES:

25. ONE OF THE SOURCES OF TENSION BETWEEN THE UNITED STATES AND THE COMMUNITY HAS BEEN THE INABILITY OF BOTH SIDES TO CONTROL AND MANAGE BILATERAL TRADE ISSUES TO KEEP THEM FROM BLOWING UP INTO POLITICAL CONFRONTATIONS. POULTRY, SOYBEANS, IRON AND STEEL, GRAINS, CARPETS AND GLASS, TEXTILES, AND DAIRY PRODUCTS CONSTITUTE ONLY A PARTIAL LIST.

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26. IN A PERIOD OF ECONOMIC STAGNATION THESE ISSUES MULTIPLY AND BECOME MORE ACUTE. PIECEMEAL HANDLING EXPOSES BOTH THE COMMUNITY AND THE US TO THE FULL PRESSURE OF SPECIFIC TRADING INTERESTS WHOSE POWER IS FREQUENTLY DIS-PROPORTIONATE TO THE REAL VOLUME OF THE TRADE IN QUESTION. THESE ISSUES CAN BE CONTROLLED ONLY IF BOTH SIDES ARE SUCCESSFUL IN SUBORDINATING THE SPECIFIC ISSUES TO THEIR OVERALL ECONOMIC INTERESTS. FOR EXAMPLE, THE CHEESE COUNTER-VAILING DUTY PROBLEM AFFECTED OVERALL US/EC COOPERATION IN THE AGRICULTURAL FIELD, THREATENING A MUCH LARGER US STAKE IN EXPORTS TO THE EC. IF RELATIVELY MINOR TRADE ISSUES ARE SEEN IN A BROADER ECONOMIC AND POLITICAL PERSPECTIVE BY BOTH SIDES, IT MAY BE POSSIBLE TO KEEP THEM FROM BECOMING MAJOR IRRITANTS IN US/EC RELATIONS. MULTILATERAL EFFORTS TO CONTAIN THESE BILATERAL DISPUTES CAN ALSO BE HELPFUL, AS IN THE CASE OF THE OGD STANDSTILL AND THE US/EC/JAPAN NEGOTIATION OF A GENTLEMEN'S AGREEMENT ON EXPORTS CREDITS.

27. RECOMMENDATIONS:

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- AN EFFORT SHOULD BE MADE TO DEAL WITH BILATERAL TRADE ISSUES IN THE GENERAL MTN DISCUSSIONS.

- BOTH SIDES SHOULD SUPPORT MULTILATERAL PLEDGES TO AVOID PROTECTIONIST ACTIONS.

- WHERE ACTIONS HAVE TO BE TAKEN, AN EFFORT SHOULD BE MADE THROUGH CLOSE US/EC CONSULTATION TO LIMIT THE DAMAGE TO OUR OVERALL RELATIONS.

F. EC POLITICAL COOPERATION:

28. SINCE IT HELPS ESTABLISH A EUROPEAN "PROFILE" (WITHOUT CREATING ANY NEW OBLIGATIONS) AND PROVIDES A PRACTICAL

FORUM FOR BOTH MAJOR AND MINOR MEMBERS OF THE NINE TO BE HEARD AND TO DISCUSS FOREIGN POLICY ISSUES OF MUTUAL CONCERN, WE EXPECT THAT POLITICAL COOPERATION IN THE EC WILL RECEIVE INCREASING EMPHASIS IN THE NEXT TWO YEARS--WITHOUT FUNDAMENTAL CHANGES IN THE PRESENT SYSTEM. WHILE IT IS DIFFICULT TO FORECAST WHAT THE ISSUES WILL BE, THE CURRENT DISCUSSION OF EVENTS IN PORTUGAL, CYPRUS, THE UN, AND THE EURO/ARAB DIALOGUE SUGGESTS THAT THEIR ATTENTION WILL BE INCREASINGLY DRAWN TOWARD PROBLEMS IN THE MEDITERRANEAN, THE MIDDLE EAST, AND THE DEVELOPING WORLD. THE ISSUE IS HOW TO KEEP IN STEP ON POLITICAL MATTERS AND AVOID THE US AND EC TAKING UP POSITIONS WHICH PUT THE US AND EC AT CROSS PURPOSES. THESE SUBJECTS ARE, OF COURSE, ALSO DISCUSSED BILATERALLY AND MULTILATERALLY (E.G. NATO).

29. WE BELIEVE THAT THE BEST WAY TO DEAL WITH BURGEONING FOREIGN POLICY COORDINATION AMONG THE NINE IS TO KEEP INFORMED OF WHAT THEY ARE DOING AND TO KEEP THEM INFORMED OF OUR VIEWS--IN SHORT TO STRENGTHEN THE HABIT OF US/EC CONSULTATION SPELLED OUT IN THE "GYMNICH FORMULA." AFTER A SLOW START, THE DIALOGUE WITH THE EC PRESIDENCY HAS BROADENED AND DEEPENED. THERE IS CONSIDERABLE GROUND FOR IMPROVEMENT AND EXPANSION, HOWEVER, IN TERMS OF BOTH SUBSTANCE AND CANDOR.

30. RECOMMENDATIONS

WE SHOULD:

- MONITOR EC POLITICAL CONSULTATION CLOSELY, BOTH IN OTHER CAPITALS OF THE NINE AND THROUGH THE LIMITED OFFICIAL USE

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PRESIDENCY;

- EXPLOIT THE "GYMNICH FORMULA" BY EXPANDING OUR OWN INPUT INTO THE EC'S CONSULTATIVE PROCESS;
- SEEK TO REVIVE THE IDEA (SCUTTLED BY THE FRENCH LAST FALL) OF A JOINT MEETING OF SENIOR US OFFICIALS WITH THE NINE POLITICAL DIRECTORS; AND
- CONTINUE THE PRACTICE OF INVITING THE FOREIGN MINISTER OF THE COUNTRY HOLDING THE EC PRESIDENCY TO WASHINGTON FOR A WORKING VISIT. THIS WOULD BEST BE DONE AT THE OUTSET OF HIS SIX-MONTH TOUR OF DUTY AND WOULD BE AN EFFECTIVE MEANS OF BOTH FORMING UP LINES OF COMMUNICATION WHICH WOULD BE USED DURING THE ENSUING SIX-MONTH PERIOD AND DEMONSTRATING OUR INTEREST IN THE EC (AND DISCRETELY OUR RESPECT FOR ITS INSTITUTIONAL FRAMEWORK).

IV. STAFFING AND FUNDING REQUIREMENTS:

31. ON THE BASIS OF OUR PROJECTION THAT THERE WILL BE NO MAJOR

BREAKTHROUGH IN PROGRESS TOWARD "EUROPEAN UNION" OVER THE
NEXT TWO YEARS, WE SEE NO NEED FOR SIGNIFICANT STAFF INCREASES.
ON THE FUNDING SIDE, ADDITIONAL RESOURCES WILL BE REQUIRED
TO START UP AND ANNUALIZE THE COSTS OF THE NEW OFFICE
SPACE NOW UNDER CONSIDERATION FOR THE MISSION. GREENWALD

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COLLECTIVE SECURITY, ECONOMIC COOPERATION, DETENTE, ENERGY, RELATIONS WITH REGIONAL ORGS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 02 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU02911
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
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Errors: N/A
Film Number: D750114-0611
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750490/aaaadeid.tel
Line Count: 606
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators: n/a
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Previous Handling Restrictions: n/a
Reference: 75 STATE 32826
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
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Review Date: 16 APR 2003
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Review History: RELEASED <16 APR 2003 by BoyleJA>; APPROVED <21 MAY 2003 by MorefiRH>
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Secure: OPEN
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TAGS: PFOR, EGEN, OGEN, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006